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FOR INFORMATION

REPORT TO THE UNITED NATIONS BOARD OF AUDITORS AND THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS REGARDING GENERAL ASSEMBLY RESOLUTION 46/183

SUMMARY

In compliance with General Assembly resolution 46/183 of 20 December 1991, the present document summarizes the recommendations of the Board of Auditors on the 1988-1989 UNICEF biennial accounts and the specific measures which the organization has taken to implement these recommendations. It also discusses measures to facilitate reporting by staff members of inappropriate use of the resources, inventory controls on non-expendable property and control on the payment of allowances and benefits to staff members.

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INTRODUCTION

1. In resolution 46/183 of 20 December 1991, the General Assembly requested the Secretary-General and executive heads of United Nations organizations and programmes concerned to submit to their respective governing bodies, as well as to the General Assembly at its forty-seventh session, detailed progress report on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and to explain if any of those recommendations have not yet been implemented. The Assembly also requested the Board of Auditors and ACABQ to evaluate the efficacy of those measures. The Secretary-General and the executive heads were also requested to consider, in consultation with the Board of Auditors and ACABQ, effective measures tc facilitate reporting by staff members on a confidential basis of any inappropriate use of the resources of a United Nations organization or programme; to implement stringent inventory controls on non-expendable property; to institute without delay more effective control on the payment of all allowances and benefits to staff members; and to report on all relevant measures taken to the General Assembly at its forty-seventh session.

2. In compliance with resolution 46/183, the present report will review each request in the light of UNICEF experience.

3. As requested in resolution 46/183, the present document is submitted to the United Nations Board of Auditors and ACABQ for their evaluation of the efficacy of those measures.

I. PROGRESS REPORT REGARDING SPECIFIC MEASURES TAKEN TO IMPLEMENT PREVIOUS RECOMMENDATIONS OF THE BOARD OF AUDITORS

4. This section restates a number of recommendations of the Board of Auditors deriving from the audits of the UNICEF biennial accounts for the period 1988-1989 1/ and, following each recommendation, describes the specific measures taken by UNICEF to date to implement those recommendations. These recommendations were only partially implemented when the 1991 report 2/ was submitted and are, therefore, reiterated in this progress report. The other recommendations included in the 1991 report were deemed fully implemented and, therefore, are not repeated. The relevant ACABQ recommendations have also been taken into consideration in adopting these measures.

Recommendation No. 1

5. The policy of recognizing cash advances to Governments in the accounts of UNICEF as programme expenditures must be supported by sufficient evidence on the effective utilization of these advances for purposes intended. In this connection, the following must be considered:

(a) A more effective procedure for advancing and monitoring cash advances to Governments should be instituted to ensure adequate compliance with the policy on timely liquidation of these advances;

(b) The format of form 153 should be reviewed to take into account the ageing of advances and to include other relevant management information;

(c) In order to facilitate monitoring, field offices should submit expenditure returns on cash advances directly to the Accounts Section;

(d) Field offices should be directed to include the policy on cash advances in all memoranda of understanding with Governments. For example, as spelt out in financial circular No. 15, no further transfer of funds may be made if a certificate of utilization of prior financing is outstanding for more than six months.

Measures taken by UNICEF

6. As indicated in the 1991 report, a number of steps were taken to ensure appropriate monitoring and control of cash assistance to Governments. A more coordinated and systematic monitoring system over advances to Governments is now in place. Financial circular No. 15 (revision 1) and supplementary guidelines for field offices were issued on 28 June 1991 to clarify UNICEF policies and procedures on non-supply assistance. The responsibility of ensuring compliance with the circular and guidelines has been assigned as an important component of the functions of a senior staff member of the Accounts Section, Division of Financial Management.

7. As a result of the efforts of the secretariat and the field offices, there have been substantial improvements in the status of cash assistance to Governments. In their last interim audit, the United Nations Board of Auditors positively noted the $22,611,058 reduction in the cumulative balance of the advances from $84,497,532 as of 31 December 1990 to $61,886,475 in 30 June 1991.

8. In their last interim audit, the external auditors reiterated the need for the ageing of the advances to ascertain their status. The administration is cognizant of this requirement in financial circular 15 (revision 1) and will prepare the ageing of the outstanding advances starting from 31 December 1991 reports which are only being received. The information will be provided to the Board of Auditors in their next audit.

Recommendation No. 2

9. The need to siphon excess liquidity into the provision of additional services should be considered.

Measures taken by UNICEF

10. The medium-term financial plan is now designed to accelerate programme activities by the utilization of excess liquidity. At the same time, a working group of the Financial Advisory Committee has been established to review existing liquidity requirements and recommend possible changes in the policy.

Recommendation No. 3

11. In order to ensure accuracy and reliability of accounting data, the administration should continue to explore the possibility of instituting effective action to improve the coding of accounts and to enhance the integrity of data at the field office level.

Measures taken by UNICEF

12. The administration continues to conduct training activities for field office personnel to ensure the submission of accounts in a correct and timely manner. In 1991, group training activities were supported by field office visits, particularly to focus on discussions regarding programme accounts. Where possible, field offices were encouraged to send their staff to New York to meet with relevant personnel. The progress made in improving central accounting and financial systems has also contributed to strengthening data integrity and accuracy in the field offices. Dialogues and studies to improve the electronic data processing systems for field office reporting of accounts to headquarters to further enhance data integrity continue to be undertaken.

Recommendation No. 4

13. Project planning should adequately articulate implementation requirements to enhance programme delivery. In addition, circumspection is advised in the reallocation of funds from slow-moving projects to fast-moving ones so that the policy does not result in the unconscious neglect of projects located in "difficult" areas which have perennial implementation problems.

Measures taken by UNICEF

14. UNICEF continues to enhance programme implementation in terms of overall programme delivery and in meeting the specific needs and priorities of the country programmes. A major improvement can be noted in the number of general resources country programmes with low implementation rates (below 75 per cent), which has decreased from 15 in 1989, to 13 in 1990 and to only 7 in 1991.

15. The number of countries with low implementation rates decreased from 48 in 1989 to 37 in 1990. However, this number increased again to 46 in 1991. The administration is in the process of analysing the specific reasons for low implementation of each of these supplementary-funded country programmes. In the process, any generic issue(s) involved will be identified. At the

conclusion of the analysis, the administration should be able to identify feasible solutions to sustain improved implementation of supplementary-funded country programmes.

Recommendation No. 5

16. The monitoring of project implementation needs further improvement so that overexpenditures that would otherwise be absorbed by general resources in the absence of supplementary funding could either be eliminated or kept to a minimum.

Measures taken by UNICEF

17. The administration adopted, as one of its principal priorities in 1991, the improved monitoring of programme implementation. Starting in 1991, special reports on call-forwards with overexpenditures were generated at regular cut-off periods. These reports were distributed to countries/offices concerned with the instruction that appropriate action be taken on such overexpenditures. Detailed analysis and reconciliation were also undertaken in 1991 to determine the reasons for the overexpenditures, and field offices were advised to take the necessary and appropriate steps to avoid overexpenditures. As a result of these measures, a substantial reduction in overexpenditure was observed in 1991.

Recommendation No. 6

18. During fund-raising activities, prospective donors should be encouraged to provide sufficient information on their contributions in order to facilitate their accounting, acknowledgement and effective utilization. In this connection, a standard advice form indicating the relevant information may be completed by donors.

Measures taken by UNICEF

19. The administration supports the recommendation. In the meantime, discussions have been held by the responsible divisions in the secretariat for the purpose of defining ways to improve communications with donors. This is intended to ensure that information received will support efficient cash management.

Recommendation No. 7

20. The existing procedures for reporting staff indebtedness before the payment of the final cash advance on separation require adequate monitoring so that all moneys due from separating staff member can be fully and promptly recovered prior to separation.

Measures taken by UNICEF

21. The administration has taken steps to strengthen overall control over staff personal accounts. The integration of all staff-related accounts under one supervisor was implemented in 1991 to further streamline existing procedures and ensure adequate monitoring thereof.

22. A thorough review and evaluation of the needs of the Staff Personal Accounts (SPA) System was carried out in 1991. This focused on internal control and accountability, and on procedures that will assure prompt recovery on SPA transactions. Systems development will be undertaken in 1992 for implementation in 1992-1993.

23. The administration has, likewise, continued to exert efforts to review and ensure correctness of existing account balances. A special project to verify prior year's balance will be concluded in 1992.

Recommendation No. 8

24. The need for the centralized control of "attractive" inventory items, such as computers and vehicles, should be considered. For this purpose, field offices should submit copies of their inventory as of 31 December each year to be reflected in the headquarters master inventory list.

Measures taken by UNICEF

25. Implementation of the recommendation was undertaken by the administration in 1990, resulting in the full submission by all field offices of their 1989 inventory list of non-expendable property. For 1991, offices at headquarters' locations and all field offices, except one which is in the process of being re-established, have submitted their inventory lists. Reminders had been sent to that field office for compliance with the requirement. The system and procedure presently in place will be reviewed further to determine if improvements can be made.

Recommendation No. 9

26. Action should be taken to ensure the conclusion of a formal and adequate custodial arrangement of UNICEF drugs and equipment in a field office.

Measures taken by UNICEF

27. As was reported in 1991, a new country office was established to facilitate operations in that country and corrective measures were taken to ensure adequate custodial procedures. There has been no reported recurrence of the auditors' finding thereafter.

II. MEASURES TO FACILITATE REPORTING BY STAFF MEMBERS ON A CONFIDENTIAL BASIS OF INAPPROPRIATE USE OF RESOURCES

28. UNICEF financial rule 103.1 stipulates that:

> "All officials shall be accountable to the Executive Director for the regularity of action taken by them in the course of their official duties. Any official who takes action contrary to the regulations, rules or administrative issuances may be held personally responsible and financially liable for the consequences of such action."

29. Further, rule 112.25 stipulates that any loss of UNICEF cash, negotiable instrument or property must be reported at once to the Comptroller.

30. It is the responsibility of the heads of headquarters' divisions and field offices to ensure that necessary control procedures are in place, understood, reviewed and consistently exercised to prevent any wrongdoing or occurrence of fraud. Therefore, as a part of their daily duties, UNICEF staff members are expected to report to management, on a confidential basis, any inappropriate use of the resources of the organization.

31. In order to ensure those procedures, the administration has issued various instructions and directives. For example, financial circular No. 29 concerning "cases of fraud and presumptive fraud" sets out procedures for dealing with and reporting on presumptive fraud or alleged wrong doings. The administrative instruction on revised disciplinary measures and procedures (AI/1990-05) was issued in September 1990 to inform all UNICEF staff of the policy and procedures to be followed in disciplinary cases and to provide guidelines on disciplinary procedures; confidentiality of all staff members involved in the disciplinary process is stressed throughout the instruction. In addition, management is taking various measures to implement recommendations of both internal and external auditors to prevent any inappropriate use of resources.

III. INVENTORY CONTROLS ON NON-EXPENDABLE PROPERTY

32. UNICEF financial rule 112.33 stipulates that "the Comptroller shall determine the types of supplies, equipment and other property for which records shall be maintained ...". Rule 112.74 further stipulates that "physical inventory shall be taken of supplies, equipment or other property owned by or entrusted to UNICEF annually or at such intervals as deemed necessary, to ensure adequate control over such property".

33. In view of the decentralized nature of UNICEF operations, responsibility for the maintenance and accountability of property records and inventory controls rests with the heads of offices. All field offices are required to conduct a physical inventory periodically and to report to headquarters the

total acquisition value of non-expendable property as of end-December each year.

34. A computerized inventory system has been developed at headquarters to maintain and control non-expendable property of all UNICEF field offices, and follow-up action has been initiated to ensure that all field offices comply with the inventory procedures. In 1991, a consulting firm was hired by the Office of Administrative Management to strengthen the current UNICEF system of inventory control of non-expendable property.

35. As of 31 December 1991, the tagging of all non-expendable property with bar-code labels had been completed. Further, all inventory items and their descriptions had been entered into the computerized inventory programme. The terms of reference of the consultant also covers the reconciliation of costs of all items purchased against the purchase orders. This aspect of the undertaking will be completed in 1992.

IV. CONTROL IN THE PAYMENT OF ALL ALLOWANCES AND BENEFITS TO STAFF MEMBERS

36. The administration has consistently tried to maintain effective control on the payment of all allowances and benefits to staff members. An extensive review of some 34 benefits and allowances was made by the administration in 1987 and an executive directive entitled "Strengthening of internal controls procedures relating to staff benefits and allowances" was issued to all offices to ensure proper handling of various cases of benefits and allowances (CF/EXD-IC 1987-14 of 23 April 1987). In 1991, interdivisional discussions focused on the further review and strengthening of the procedures related to all matters of personnel finances. These discussions will continue in 1992 aiming at the resolution of identified issues.

Notes

1/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5B and Corrigendum (A/45/5/Add.2 and Corr.1).

2/ E/ICEF/1991/AB/L.3.

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GREETING CARD AND RELATED OPERATIONS

Provisional report of the 1991 season

(covering the period 1 May 1991-30 April 1992)

SUMMARY

The present document presents the provisional results for the 1991 season (1 May 1991-30 April 1992) of the UNICEF Greeting Card and related operations (GCO).

Figures I and II compare the 1991 projected sales volume and gross proceeds by sales region with the 1990 actual and with the 1991 budget projections.

Table 1 compares the 1991 provisional financial results with the 1991 budget projections and the 1990 actual results.

Sales of greeting cards for the 1991 season are projected at 155 million cards (an increase of 1 million over 1990), with gross proceeds forecast at $135.7 million ($0.8 million higher than 1990).

The net operating profit for GCO products is projected at $64 million (47.2 per cent of gross proceeds). The consolidated net operating profit is forecast at $85.2 million, including $20 million (table 2) from private sector fund-raising (PSFR) and $1.2 million (table 3) from special fund-raising events and new initiatives (SENI).

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After allowing for an exchange rate loss of $7 million (estimated loss on the revaluation of GCO non-United States dollar assets) and a transfer of $1 million to fund the SENI Special Operating Account, the total GCO contribution to UNICEF general resources is estimated at $77.2 million (net profit consolidated).

The volume of cards sold, the gross proceeds and the net operating profit for each of the three income-generating areas of the GCO mandate (GCO products, PSFR and SENI), as well as the net operating profit consolidated, are the highest ever achieved by GCO. The profitability for GCO products (net operating profit) is estimated to reach the budgeted goal of 47.2 per cent. As compared with the 1991 budget, only the net operating profit PSFR and the net operating profit consolidated are estimated to exceed the budgeted targets.

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INTRODUCTION

1. The mandate of Greeting Card and related operations (GCO) comprises three income-generating areas which aim to maximize income for UNICEF general resources from the public at large. These are: (a) greeting card and related products; (b) private sector fund-raising (PSFR); and (c) special fund-raising events and new initiatives (SENI).

2. The GCO provisional report for the 1991 season (1 May 1991-30 April 1992) is based on sales estimates received as at 31 January 1992 from National Committees for UNICEF and sales partners in each of the six market regions. The expenditures are estimated for the 12-month period ending 30 April 1992.

3. The results from each income-generating area of activity are presented separately in this report and are consolidated in table 1, which shows GCO 1991 provisional results compared with the 1990 actual and 1991 approved work plan and budget.

4. The estimated net proceeds and expenditures for PSFR and SENI are shown in tables 2 and 3, respectively.

I. GREETING CARD AND RELATED PRODUCTS

5. The global recession, a postal strike in Canada and the temporarily difficult economic circumstances in Central and Eastern European countries have negatively influenced GCO results in terms of sales volume. Gross proceeds have been further impacted by the strengthening of the United States dollar. In spite of these adverse circumstances, GCO sales volume, gross proceeds and net operating profit for the 1991 season are projected to be the highest ever in GCO history (see table 1).

Table 1. Income statement for 1990, budget for 1991 and provisional results for 1991

	1990 Actual		1991 Budget		1991 Provisional		Variance	
							1991 Provisional vs. 1990 actual	1991 Provisional vs. 1991 budget
Number of cards sold (millions)	154		168		155		1	(13)
	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Percentage of gross proceeds	Millions of US dollars	Millions of US dollars
Gross proceeds	134.9	100.0	144.7	100.0	135.7	100.0	0.8	(9.0)
Less: Commissions and direct expenses at field offices	33.5	24.8	35.2	24.3	33.2	24.5	(0.3)	(2.0)
Net sales	101.4	75.2	109.5	75.7	102.5	75.5	1.1	(7.0)
Less: Total cost of goods delivered	27.6	20.4	28.2	19.5	27.7	20.4	0.1	(0.5)
Less: Operating costs	16.5	12.3	19.9	13.8	17.8	13.1	1.3	(2.1)
Add: Other income - net	5.5	4.1	7.0	4.8	7.0	5.2	1.5	0.0
Net operating profit - GCO products	62.8	46.6	68.4	47.2	64.0	47.2	1.2	(4.4)
Add:								
Net operating profit - private sector fund-raising (table 2)	16.5		11.4		20.0		3.5	8.6
Net operating profit - special fund-raising events and new inititatives (SENI) (table 3)	0.1		3.6		1.2		1.1	(2.4)
Net operating profit - consolidated	79.4		83.4		85.2		5.8	1.8
Less:								
Exchange rate adjustment	1.6		-		7.0		5.4	7.0
Transfer to SENI Special Operating Account					1.0		1.0	1.0
Write-off of prior years' accounts receivable	0.1		-		-		(0.1)	-
Prior years' adjustments	1.0		-		-		(1.0)	-
Net profit - consolidated	76.7		83.4		77.2		0.5	(6.2)

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A. Sales volume

6. Sales reports for the six market regions show an estimated increase in card volume of 0.6 million cards compared with the 1990 actual results. Sales by region for 1991 (based on estimates as at 31 January 1992) compared with the 1990 actual sales (E/ICEF/1992/AB/L.5) are shown below in figure I.

Figure I. Sales by region, 1991
Provisional results compared with actual 1990

(In millions of cards and millions of United States dollars)

Region	1990 Actual		1991 Provisional		Variance	
	Cards Sold	Amount	Cards Sold	Amount	Card Sold	Amount
I. North America	18.4	15.4	16.6	14.2	(1.8)	(1.2)
II. Latin America	9.7	5.6	10.1	6.5	0.4	0.9
III. Asia	6.8	5.1	8.1	6.4	1.3	1.3
IV. Pacific, India and Pakistan	9.4	4.1	10.6	4.6	1.2	0.5
V. Europe	104.6	99.1	105.1	99.1	0.5	0.0
VI. Africa and Middle East	5.1	5.6	4.1	4.9	(1.0)	(0.7)
Total all regions	154.0	134.9	154.6	135.7	0.6	0.8

7. Figure II below shows the provisional sales results of 1991 in the six market regions compared with the 1991 budget (see E/ICEF/1991/AB/L.6), indicating a negative variance in sales volume of 13.1 million cards.

Figure II. Sales by region, 1991
Provisional results compared with budget 1991

(In millions of cards and millions of United States dollars)

Region	1991 Budget		1991 Provisional		Variance	
	Cards Sold	Amount	Cards Sold	Amount	Card Sold	Amount
I. North America	21.5	18.3	16.6	14.2	(4.9)	(4.1)
II. Latin America	11.8	7.7	10.1	6.5	(1.7)	(1.2)
III. Asia	6.7	5.1	8.1	6.4	1.4	1.3
IV. Pacific, India and Pakistan	10.9	5.6	10.6	4.6	(0.3)	(1.0)
V. Europe	111.3	104.3	105.1	99.1	(6.2)	(5.2)
VI. Africa and Middle East	5.5	3.7	4.1	4.9	(1.4)	1.2
Total all regions	167.7	144.7	154.6	135.7	(13.1)	(9.0)

B. Gross proceeds

8. Gross proceeds for 1991 are estimated at $135.7 million, $0.8 million higher than 1990 actual (figure I), but $9 million below budget (figure II). This shortfall against budget is despite price increases and is primarily a result of lower than budgeted card sales volume and the impact of a stronger United States dollar (see para. 5 above).

C. Commissions and direct expenses at field offices

9. Commissions are estimated at $33.2 million, which include funds retained by National Committees for UNICEF and other sales partners, expenses incurred at field offices and commissions paid to consignees. As a percentage of gross proceeds, commissions and direct expenses at field offices are estimated at 24.5 per cent, 0.3 per cent less than the actual 1990 rate, but 0.2 per cent more than the 1991 budget rate.

D. Expenditure

Cost of goods delivered, freight, duties/taxes and promotional materials

10. This expenditure is estimated to be $27.7 million, a decrease of $0.5 million compared with the 1991 budget, but $0.1 million higher than actual 1990. As a percentage of gross proceeds, the cost of goods delivered, freight, duties, taxes and promotional materials is estimated at 20.4 per cent, the same percentage compared with actual 1990.

Operating costs

11. Operating costs for 1991 are forecast at $17.8 million, a decrease of $2.1 million compared with the 1991 budget and an increase of $1.3 million compared with actual 1990. As a percentage of gross proceeds, 1991 operating costs are 13.1 per cent, compared with 12.3 per cent in 1990, an increase of 0.8 per cent.

E. Other income

12. Other income for 1991, generated mainly from royalties on licensed products and revenues from National Committee products, is estimated at $7 million, the same as the 1991 budget and $1.5 million higher than actual 1990.

F. Net operating profit - GCO products

13. The net operating profit for GCO products for 1991 is projected at $64 million, an increase of $1.2 million compared with 1990, but $4.4 million less than the 1991 budget. As a percentage of gross proceeds the estimated net operating profit is 47.2 per cent (as in the 1991 budget), made possible because of stringent cost controls and resultant lower than budgeted expenses.

II. PRIVATE SECTOR FUND-RAISING

14. As requested by the Executive Board, income from PSFR and related expenditures are shown separately from GCO product-related income (table 2).

15. Net proceeds of $24 million are expected to yield a net operating profit of $20 million, $3.5 million (21.2 per cent) higher than the 1990 actual results and $8.6 million (75.4 per cent) more than the 1991 budget. These expected increases were largely due to the expansion of existing direct mail campaigns and the increased participation of National Committees and UNICEF field offices in GCO-supported PSFR activities. Implementation of the three-year Fund-raising Development Programme (FDP) during 1991 has resulted in additional campaigns that are expected to increase revenues in the coming years.

16. Operating costs and research and development costs are expected to amount to $1 million each, both below budgeted levels. Expenses for FDP are estimated at $2 million. The surplus will be carried over into the next fiscal year when more proposals are expected.

Table 2. Private sector fund-raising
Income statement for 1990, budget for 1991 and provisional results for 1991

(In thousands of United States dollars)

	1990 Actual	1991 Budget	1991 Provisional	Variance: 1991 Provisional vs. 1990 actual	Variance: 1991 Provisional vs. 1991 budget
Net proceeds	17,473	16,900	24,000	6,527	7,100
Less:					
Operating costs	957	1,287	1,000	43	(287)
Research and development costs	-	1,192	1,000	1,000	(192)
Fund-raising Development Programme expenses	-	3,000	2,000	2,000	(1,000)
Total expenses	957	5,479	4,000	3,043	(1,479)
Net operating profit	16,516	11,421	20,000	3,484	8,579

III. SPECIAL FUND-RAISING EVENTS AND NEW INITIATIVES

A. Income

17. Income from SENI is shown separately from GCO product-related and PSFR income, as requested by the Executive Board (see E/ICEF/1990/AB/L.6, para. 8). The net proceeds of $4 million are expected to yield a net operating profit from SENI of $1.2 million, an increase of $1.1 million compared with the 1990 actual, but a decrease of $2.4 million compared with the 1991 budget. This income was generated through National Committees primarily from the Danny Kaye International Children's Awards programmes held in several countries and the International Football Association benefit match held in Germany.

B. Expenditure

18. SENI operating costs for 1991 are estimated at $0.5 million, a decrease of $0.3 million and $0.5 million compared with the 1990 actual and the 1991 budget, respectively. Research and development costs are estimated at $0.1 million, a decrease of $0.3 million compared with the 1991 budget. The cost of production and events organization ($2.2 million) represents expenses for the Danny Kaye International Children's Awards.

Table 3. Special fund-raising events and new initiatives
Income statement for 1990, budget for 1991 and provisional results for 1991

(In thousands of United States dollars)

	1990 Actual	1991 Budget	1991 Provisional	Variance: 1991 Provisional vs. 1990 actual	Variance: 1991 Provisional vs. 1991 budget
Net proceeds	883	5,000	4,012	3,129	(988)
Less:					
Operating costs	852	995	525	(327)	(470)
Research and development costs		400	100	100	(300)
Production and events organization costs			2,200	2,200	2,200
Total expenses	852	1,395	2,825	1,973	1,430
Net operating profit	31	3,605	1,187	1,156	(2,418)

IV. CONSOLIDATED PROVISIONAL RESULTS

A. Net operating profit - consolidated

19. The consolidated net operating profit for 1991 resulting from the three income-generating areas of GCO is estimated at $85.2 million (see table 1), $5.8 million more than 1990 actual results and $1.8 million higher than the 1991 budget.

B. Exchange rate adjustment

20. An exchange rate adjustment of $7 million is made to cover anticipated losses caused by the revaluation of GCO non-United States dollar-denominated assets. It also includes actual exchange rate losses on prior year accounts receivable incurred before 31 January 1992. The possible impact of variation in exchange rates on GCO product sales and profitability was shown as an example in the 1991 work plan (see E/ICEF/1991/AB/L.6, figure 1, p. 6).

C. SENI Special Operating Account

21. An amount of $1 million is being transferred in order to fund the SENI Special Operating Account, which was established by the Executive Board in 1990 (see E/ICEF/1990/AB/L.6, paras. 82, 83 and 95 (c)). 1/

D. Net profit - consolidated

22. After deducting $7 million for the impact of exchange rate variations and the $1 million transfer to fund the SENI Special Operating Account from the net operating profit ($85.2 million), the consolidated GCO net profit is estimated at $77.2 million, an increase of $0.5 million compared with the 1990 actual profit.

Notes

1/ The SENI Special Operating Account is used only when anticipated event revenues have not been received in time to cover initial expenses and is subject to an approved budget, realistically demonstrating that when total revenues are received, they will be sufficient to reimburse the Special Operating Account. At the conclusion of an event, any funds advanced from the Special Operating Account would be repaid. Access to this account is governed by rules developed in cooperation with the Division of Financial Management and in accordance with the UNICEF Financial Regulations and Rules and the Special Supplement - Greeting Card Operation (E/ICEF/FINANCIAL RULES/1/Add.1). Funding of the Special Operating Account will come from event profits.